

PHILIP MORRIS USA**INTER-OFFICE CORRESPONDENCE**

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TO: Andrew MacRae

DATE: ~~January 7, 1992~~ December 21, 1991

FROM: Marketing Information & Analysis/Joseph J. Auriemma

SUBJECT: 1993 MARLBORO VAN PROGRAM - PRELIMINARY RESEARCH

The following outlines the program methodology to evaluate the preliminary execution of the 1993 Marlboro "Van Program." ~~This test is being executed in conjunction with Marlboro Brand Management and PM Field Sales.~~ The objective of this study is to analyze the volume/share impact due to the promotion on Marlboro, Industry and key competitive brands, as well as the variation in performance by day of week, the fulfillment by incentive type, and the level of database name generation. Comparison to promotional types will be conducted to assist in the design and development of future retail promotions. The results from this analysis will also assist the sell-in of the national expansion of the van promotion concept.

Background

The Marlboro "Van Program" is planned for execution during the first 9 months of 1993. The program alters the delivery of retail incentive from passive in-store to inter-active front-of-store locations. A customized van, featuring highly visible Marlboro graphics, will be situated in front of specified retail locations for approximately 7 hours for one day per store. The program will be executed in three phases, with Phase I (~~preliminary testing~~) beginning January 15th in ~~selected~~ markets with a total of 13 vans. National execution is planned to commence in May with a final task force of 400 more vans.

Consumers will be offered an assortment of incentive promotions at each van in exchange for Marlboro purchase receipts. Purchase requirements will vary by incentive type. Name generation cards will also be processed, offering an opportunity to increase the PM Direct Mail database records for younger (21+ year old) adult smokers.

Project Design

National Convenience Stores in San Antonio, Dallas and Houston is the proposed retailer to conduct this test. Approximately 100 NCS sites will be needed, with 70 stores serving as test sites and the balance designated as control. Stores in the Dallas market will only serve as an option for additional control sites. NCS scanning data will be utilized to measure the volumetric response. A pre-analysis will also be conducted, on the individual store level, to ensure that each of the test and control stores are matched on overall sales volume and trend similarity. Approximately 12 months of pre-period data will be utilized to establish baseline sales for each store.

Five vans have been dedicated to this test. Execution will be for a four week period beginning February 15th. Since vans will be at a particular store only once during a given week, each of the five vans will be required to be operational 7 days a week during each of the four test weeks. Each of the test stores will be visited twice, with the visits placed on different days of different weeks to maximize the number of observations possible. Actual scheduling of store visits will be determined in conjunction with PM Sales.

All Philip Morris promotions should be synchronized across each test and control stores. While all attempts will be made to work with PM's Field Sales Force to regulate store activity, variation due to specific store conditions, as well as, competitive promotional

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activity may occur. To account for these variations, an independent market research company will be utilized to track pricing and promotional activity in all stores. The independent auditors will also count daily opening and closing incentive inventory for each participating van to tie volumetric changes to

Timing

Retail execution is planned from February 15th through March 14th. The weekly in-store observations will begin approximately two weeks prior to execution of the promotion and will last until the week ending March 28th.

The research cost of conducting this evaluation is \$52,000, with analysis of the volumetric response available in April.

In addition, a telephone tracking questionnaire of these smokers participating with the name generation request is being considered to validate the profiles of these smokers participating with the name generation request.

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